

17 August 1983

STAT

# Bank's Links to Ex-CIA M

## Australian Probe Ties Defunct Nugan Hand To Former U.S. Agents

By JONATHAN KWITNY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Few men have had more to do with U.S. covert operations in the cold war than Theodore G. Shackley. Before he retired from the Central Intelligence Agency after 30 years' service in September 1979, Mr. Shackley had led the secret war against Cuba, the secret war in Laos, been CIA station chief in Saigon at the height of the Vietnam war and then No. 2 man running the clandestine services division at CIA headquarters in Langley, Va.

And according to an Australian government report, Mr. Shackley is among several high-level U.S. spies, or former spies, who dealt with the scandal-ridden Nugan Hand international banking group much more extensively than was previously known. The group of intelligence agents with ties to Nugan Hand also includes Mr. Shackley's longtime CIA subordinate, Edwin Wilson, recently convicted of illegal arms sales to Col. Muammar Qadhafi's Libya.

The Australian government report, prepared and released to Parliament in March by the Commonwealth-New South Wales Joint Task Force on Drug Trafficking, cites Mr. Shackley as one of the leading characters whose "background is relevant to a proper understanding of the activities of the Nugan Hand group and people associated with that group."

Mr. Shackley declined to be interviewed for this story, but a letter from his attorney says Mr. Shackley was "formally advised" by an Australian detective who helped compile the report that he wasn't suspected of illegalities.

### Contacts With Michael Hand

The report says that Mr. Shackley had worked closely with Mr. Wilson in the CIA since 1955 and that Mr. Shackley "continued a close relationship with him (Wilson) whilst Wilson was employed by (U.S.) Naval Intelligence" from 1971 to 1976, "and after that." The report refers to contacts between Mr. Shackley and Michael Hand, the currently missing former CIA operator who founded, owned and managed the Nugan Hand banking group. Mr. Hand's partner, Australian Frank Nugan, died of a

gunshot wound in January, 1980, later ruled a suicide, and Nugan Hand failed a few months later.

Investigations following Mr. Nugan's death and the failure of the bank revealed widespread dealings by Nugan Hand with international heroin syndicates, and evidence of mammoth fraud against U.S. and foreign citizens. Many retired high-ranking Pentagon and CIA officials were executives of or consultants to Nugan Hand.

The Australian report says Mr. Shackley corresponded and occasionally met with Mr. Hand in "the second half of 1979." Among the arrangements they reportedly discussed was an aborted plan to sell valves and flanges used in the oil industry. That plan involved Dale Holmgren, former manager at a CIA-owned airline in Asia, who had become the Nugan Hand representative in Taiwan.

The report says several other prominent people dealt with the Wilson group during the years. Mr. Wilson was earning millions of dollars supplying high-technology weapons, trained experts and explosives to Libya. Among them are Donald Beazley, president of the Nugan Hand group in 1979 and 1980, and now president of City National Bank in Miami, and retired Rear Adm. Earl P. "Buddy" Yates, former deputy chief of staff for the U.S. Pacific command and president of the Nugan Hand Bank from 1977 on.

### Bail Fund Proposal

Adm. Yates, who lives in Virginia Beach, Va., as he did throughout his Nugan Hand service, declined to be interviewed for this story. In a written statement, he denied he had ever knowingly met Mr. Wilson or Mr. Wilson's partner, Frank Terpil, currently a fugitive. The Australia report says Adm. Yates met with Mr. Wilson, and later with Mr. Terpil, to discuss Nugan Hand participation in port and airport construction projects in Libya. A deal never materialized.

The report also says that Adm. Yates was approached to establish a \$1.4 million bail fund through Nugan Hand for international dope couriers caught in the U.S. The money was to be deposited overseas and drawn out in the U.S.

According to the report, Adm. Yates rejected the proposal, saying it would be legal but bad for Nugan Hand's reputation. The report says Adm. Yates couldn't recall for investigators who made this proposal.

Mr. Beazley, in interviews with this newspaper, has said since the Nugan Hand affair began that he was unaware of any wrongdoing at the bank or any involvement with intelligence organizations. But

the A-  
faction  
ties at  
Beazley  
because  
City N  
is now  
suits f  
ing of  
through

Coffee  
charges and Mr. Beazley has said he isn't affected by the suits against Mr. Duque.)

The new Nugan Hand report raises particular questions about Mr. Beazley's 1980 purchase of a London bank. (The bank was then known as London Capital Securities Ltd., it was best known under its former name, Stonehouse Bank, because of an earlier financial scandal, and is currently known as City Trust Ltd.) The purchase began as a Nugan Hand acquisition, and concluded with Mr. Beazley "as the nominee for" a Cuban-born former CIA contract agent named Ricardo Chavez, and possibly other members of Mr. Wilson's group, who apparently used Nugan Hand money, the report says.

### Sale to Libya

Mr. Chavez was in the CIA's anti-Castro program, which Mr. Shackley helped supervise. At the time of the London banking deal, both Mr. Chavez and Mr. Shackley were working for A.P.I. Distributors, an international trading firm funded with \$500,000 lent by Mr. Wilson. According to the report, it shared office space in Houston with a Wilson company that helped sell 20 tons of plastic explosives to Libya, for which Mr. Wilson was convicted. A.P.I. was headed by Thomas Clines, who had just retired after 30 years with the CIA, most recently as training director of the clandestine services branch under Mr. Shackley. Another former covert agent, Rafael "Chi Chi" Quintero, also was an executive at A.P.I.

The report says Mr. Beazley helped run the London bank for Mr. Chavez until Mr. Beazley resigned in October 1980 to run Gulfstream Banks in Florida. It says that Mr. Chavez was "quite likely" little more than a nominee for Mr. Clines in the London bank, as Mr. Chavez himself lacked funds.

The report says Mr. Beazley purchased the London bank with \$300,000 in cash and travelers checks brought by Maurice Bernard Houghton, a mysterious Texan who showed up in Australia as a saloon impresario during the Vietnam war "R and R" program, and stayed to become a Nugan Hand executive. Mr. Houghton was inexplicably

CONTINUED